

REPORT OF THE CHAIRMAN
OF
REGIONAL ADVISORY COMMITTEE
DISTRICT IV
OF THE
NATIONAL PETROLEUM COUNCIL

January 7, 1949

REPORT OF CHAIRMAN

OF

REGIONAL ADVISORY COMMITTEE

DISTRICT IV

TO THE MEMBERS OF THE NATIONAL PETROLEUM COUNCIL:

The Regional Advisory Committee for District IV, National Petroleum Council, has continued on a stand-by basis. No formal meeting has been held since the October 8, 1948 meeting covered by my previous report. As chairman for District IV, I have gathered statistics, circulated them among committee members and obtained their views as to whether emergencies appear to be developing in the supply conditions affecting products in any part of the District. The tabulation of supply conditions as of December 11, 1948, which I am giving below, will serve as an informal report from our Committee. I am quite sure the supply conditions shown for that date have not suffered substantial decline. On this basis our Committee sees no occasion for the taking of any immediate corrective steps. These figures are taken from published sources, including A.P.I. weekly report.

Rocky Mountain States

PAW Dist. IV

Products supply - 1000's of barrels

	Dec. 11, 1948	Dec. 11, 1947
Gasoline	2,095	1,801
Kerosens	240	134
Gas Oil & Distillate	1,640	871
Residual fuel	1,130	711

Crude Oil stocks - 1000's of barrels

	Dec. 4, 1948	Nov. 27, 1948	Nov. 30, 1947
Crude Oil	11,756	11,496	8,343

Daily Crude Production - Bbls. per day average all fields

	4 weeks ending Dec. 11, 1948	4 weeks ending Dec. 11, 1947
Colorado	55,750	45,500
Wyoming	151,900	131,650
Montana	26,450	25,000
Totals	234,100	202,150

Requirements of crude oil for December as calculated by Bureau of Mines:

Colorado	50,000 B/D
Wyoming	146,000 B/D
Montana	26,000 B/D
Total	222,000 B/D

Present local refinery demand is estimated at an average of 150,000 barrels per day. It will be observed that rate of crude oil production exceeds local refinery demand by about 84,000 barrels per day. Taking into consideration shipments of crude oil out of the district by pipe

line and tank car, it is estimated that the district will go to storage with 30,000 to 35,000 B/D of black crude. The approximate three million barrels of increased storage crude oil 1948 over 1947 is also composed of heavy black oil.

At consumer and dealer levels no substantial insufficiency or disruption in supply of products is believed to exist at this time. Our committee will continue to collect information.

Respectfully submitted.

M. H. Robineau
Chairman

CC: U.S. Department of the Interior
Oil and Gas Division
Washington 25, D. C.

Harold D. Roberts, Counsel, Frontier Refining Company, Denver,
and Counsel for the Committee.

Mr. Robineau asked Mr. Roberts to read and explain the Voluntary Petroleum Products Allocation Plan Under Public Law 395. Mr. Roberts did so and called attention to the exchange of correspondence between Secretary of Interior J. A. Krug and U. S. Attorney General Tom C. Clark.

Following this the Committee elected J. A. Lentz, Vice-Chairman, and H. A. Stewart, Secretary and Treasurer.

Chairman Robineau then reviewed discussions he had taken part in during a previous National Petroleum Council meeting in order to explain the program and the plans set up nationally.

Discussion then was carried on covering operations and program for this Committee; the outlook in the District on Supply and Demand; and the need for any plan of allocation.

The discussion brought out the following facts concerning Supply and Demand in the District:

Crude oil production is up to 235,000 barrels daily with some curtailment of light oil production because of insufficient pipe line outlet (principally in Rangely Field, Colo.) and some in black oils because of low demands for fuel oil and residual oils. Therefore crude avails are ample to meet any probable requirement.

Refinery runs are holding between 155,000 and 158,000 barrels daily. New construction completed and completions this year and next will give a net increase in capacity of 30,000 to 35,000 barrels daily. The new plants include catalytic cracking units which will give much greater flexibility in supplying required products. Crude avails mentioned above are ample for the new requirements and still leave crude available for export from the District.

For the first eight months of 1948 crude runs to stills averaged 150,000 barrels per day, with average yields as follows:- gasoline 65,000 barrels, kerosene 4,000, gas oil and distillate 25,000, residual oil 38,000 barrels.

Inventories in barrels of crude oil and products are materially increased as compared with the same time last year.

<u>API Rpts.</u>	<u>Sept. 1947</u>	<u>Sept. 1948</u>	<u>Increase</u>
Crude Oil	8,600,000	9,600,000	1,000,000
Gasoline	1,563,000	1,784,000	221,000
Kerosene	163,000	320,000	157,000
Gas Oil & Distillate	913,000	1,485,000	572,000
Residual Oils	663,000	968,000	305,000

The increased crude storage probably does not mean increased oil available but rather reflects the additional oil required as pipe line fill and working stocks of the expanded pipe line systems.

Gasoline stocks are about at the normal years low. This stock appears adequate but will naturally be increased until it reaches a peak in March 1949. The large stock then will be required to carry the summer seasons demand, chiefly agricultural.

Kerosene stocks, nearly double a year ago, give a reasonable cushion in event of increased demand.

Gas oil and distillate and the residual stocks are half again as high as last year. The lower stocks plus current production kept pace with market demands last winter so there is no reason for alarm this coming winter with larger stocks on hand and larger production per day.

Discussion of the outlook for burning oils, diesel fuel, and residual oils (including road oils and asphalt) brought out certain important points.

Increased conversions to natural gas in the Denver area have reduced demand for burning oils. Difficulties in road construction programs

have reduced greatly the highway demands for road oils and asphalt. This, with softness in fuel oil market in District II, has caused some backup in normal output of these products.

Demand for diesel fuel is increasing particularly by railroads in the District, but also from automotive units. Consensus of opinion was that this demand, supplied now largely from catalytic cracking, would tend to absorb any cutbacks in burning fuels and residual oils. The new plants will be able to run any crude to the product most required for which there is a profitable market.

It was believed also that the new refining technique will produce tailor-made products with a decrease in residual oils, which will increase the cost of such oils on the open market and result in diminished use of oil for space heating and other uses where coal can be used and be competitive in cost.

The conclusion reached from the discussions was that District does not have any problem in Supply and it will be able to meet all foreseeable demands. There is no need for allocation of products now and probably will be none, barring a war or other serious emergency. There is now no hardship in supply at any level—consumers, dealers, or wholesalers, and, barring war, serious strikes or other emergency, no hardship is foreseeable.

Some consideration was given the area in Idaho, west of Boise, and in the Panhandle which is supplied from District V but geographically is in District IV. The area suffered some curtailment from the 75% allocation formula applied in District V recently, and there had been some effort to either raise the allocation or transfer the area to District V. The transfer could not be made but the allocation appears to be causing little trouble.

It was brought out that transportation costs and problems tied the area to Columbia River transport, and that suppliers in District IV could not ship into the area by rail or truck in competition with current delivered costs from District V. Consequently, unless added cost could be recovered as under P.A.W., the area would have to continue as it has in the past.

The Committee's figures on natural gasoline and L.P.G. were not so complete but it was pointed out that the Rangely Field Plant would be in operation soon, at a capacity of approximately 20,000 gallons per day, with Elk Basin more than doubling that next year. This 2,000 barrels per day of natural gasoline is equal to 6,000 barrels of crude oil. The L.P.G. recovery will be about double the gasoline.

In view of the facts, the Committee decided that until some general emergency arose it would function as a Committee of the whole. No sub-committees would now be set up and no formal arrangements made to compile statistics. It was agreed that A. P. I. figures would be kept up for the District, and all members be advised of any trends that might be adverse and require special attention. The Committee would meet from time to time and keep prepared to act when needed.

Mr. Robineau stated that a study of available tankage for storage was called for. None present were aware of any such available storage room now. Mr. Lentz stated that an A. P. I. subcommittee was making such a survey now and duplication was inadvisable. The Committee agreed and recommended that Mr. Robineau refer the storage room problem to the committee making the study.

The Committee then adjourned to await further call from the Chairman.

Approved:


M. H. Robineau, Chairman



H. A. Stewart
Secretary-Treasurer